

NEWAYGO FIRE DISTRICT COMMAND BOARD  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name <b>NEWAYGO FIRE DISTRICT COMMAND BD</b>	County <b>NEWAYGO</b>
Fiscal Year End <b>6/30/2006</b>	Opinion Date <b>11/8/2006</b>	Date Audit Report Submitted to State <b>11/20/2006</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

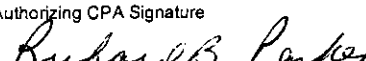
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>RICHARD B. PARKER, CPA, PC</b>		Telephone Number <b>231/893-3178</b>	
Street Address <b>2264 EAST MEINERT</b>		City <b>HOLTON</b>	State <b>MI</b>
Zip <b>49425</b>			
Authorizing CPA Signature 	Printed Name <b>RICHARD B. PARKER, CPA</b>	License Number <b>10160</b>	

NEWAYGO FIRE DISTRICT COMMAND BOARD  
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**RICHARD B. PARKER, CPA, PC**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**2264 EAST MEINERT**  
**HOLTON, MICHIGAN 49425**  
**(231)893-3178**

Newaygo Fire District Command Board  
Newaygo, Michigan

**INDEPENDENT AUDITOR'S REPORT**

I have audited the accompanying financial statements of the governmental activities of the Newaygo Fire District Command Board (a special purpose government engaged only in governmental activities) as of and for the year ended June 30, 2006, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Newaygo Fire District Command Board as of June 30, 2006 and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The Newaygo Fire District Command Board has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Richard B. Parker*

Certified Public Accountant

Holton, Michigan  
November 8, 2006

NEWAYGO FIRE DISTRICT COMMAND BOARD  
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS  
June 30, 2006

	General Fund - Modified Accrual Basis	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$237,162	\$	\$237,162
Restricted cash	84,746		84,746
Accounts receivable	11,730		11,730
Prepaid expenses	13,798		13,798
Land		19,307	19,307
Other capital assets, net of accumulated depreciation		530,559	530,559
Total assets	<u>347,436</u>	<u>549,866</u>	<u>897,302</u>
LIABILITIES			
Accounts payable	<u>2,426</u>		<u>2,426</u>
Total liabilities	<u>2,426</u>		<u>2,426</u>
FUND BALANCE/NET ASSETS			
Fund balances:			
Reserved for property and equipment replacement	84,746	( 84,746)	-
Unreserved	<u>260,264</u>	<u>(260,264)</u>	<u>-</u>
Total fund balances	<u>345,010</u>	<u>(345,010)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$347,436</u>		
NET ASSETS			
Invested in capital assets		549,866	549,866
Unrestricted		<u>345,010</u>	<u>345,010</u>
TOTAL NET ASSETS		<u>\$894,876</u>	<u>\$894,876</u>

The accompanying notes are an integral part of this statement.

NEWAYGO FIRE DISTRICT COMMAND BOARD  
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

	General Fund - Modified Accrual Basis	Adjustments	Statement of Activities
Revenue:			
Fire protection assessments	\$165,557	\$	\$165,557
Investment income	5,207		5,207
Other	<u>185</u>	<u></u>	<u>185</u>
TOTAL REVENUES	<u>170,949</u>	<u></u>	<u>170,949</u>
Expenditures:			
Salaries and wages	41,066		41,066
Payroll taxes	3,142		3,142
Gasoline	2,789		2,789
Repairs and maintenance	12,085		12,085
Office supplies	545		545
Insurance and bonds	10,057		10,057
Professional services	3,000		3,000
Occupancy expense	8,149		8,149
Travel and education	4,282		4,282
Other	1,766		1,766
Supplies	16,955		16,955
Capital outlay	5,940		5,940
Depreciation	<u>-</u>	<u>44,468</u>	<u>44,468</u>
TOTAL EXPENDITURES	<u>109,776</u>	<u>44,468</u>	<u>154,244</u>
Excess of revenues over expenditures	61,173	(44,468)	16,705
Fund balance - July 1, 2005	<u>283,837</u>	<u>594,334</u>	<u>878,171</u>
Fund balance - June 30, 2006	<u>\$345,010</u>	<u>\$549,866</u>	<u>\$894,876</u>

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity

The Newaygo Fire District Command Board (District) is governed by a seven member board and was incorporated under the provisions of MCLA #41.811 in Michigan for the purpose of providing fire protection and rescue services for three participating municipalities. There are no component units, entities for which the District is considered to be financially accountable.

The Accounting policies of the District conform to U.S. generally accepted accounting principles as applicable to a governmental fund type of a governmental unit.

B. Government-wide and fund financial statements

The government-wide financial statements report information on all of the nonfiduciary activities of the district.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fire protection assessments, and grants associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

**Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental fund:

General Fund - The General Fund is used to account for all financial resources of the District. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Michigan and the bylaws of the District.

**Revenues - Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end.

Nonexchange transactions in which the District receives value without directly giving value in return, includes fire protection assessments and grants. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, or in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

**Expenses/Expenditures**

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

NEWAYGO FIRE DISTRICT COMMAND BOARD  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2006

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Bank Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State of Michigan statutes authorize the District to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools, and certain mutual funds.

All investments are stated at cost or amortized cost.

E. Restricted Assets

The District's articles of incorporation require them to maintain and restrict resources for future fixed asset additions.

F. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost and updated for additions and retirements during the year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimate historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	25 years
Building improvements	15 years
Vehicles	4 to 15 years
Office equipment	5 to 7 years
Other equipment	10 to 15 years

G. Compensated Absences

The District's employees are not granted vacation or sick leave compensation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

I. Reservations of Fund Balance

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity which is available for appropriations in future periods. Fund equity reserves have been established for tentative management plans that are subject to change.

J. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

L. Fire Protection Assessments

All fire protection assessments are shown net of allowance for uncollectibles, if any.

The fire protection assessments are funded by participating municipalities through special assessment levies. Special Assessments are levied on December 1, (July 1 at the City) and are due without penalty on or before February 14 (September 14 at the City). The special assessments attach as an enforceable lien on property as of December 1 (July 1). Uncollected special assessments are turned over by the participating municipalities to Newaygo County for collection. The County advances the municipalities all of these delinquent special assessments. Collection of special assessments on personal property delinquent as of March 1 remain the responsibility of the participating municipalities.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

**Budgetary Information**

Annual budgets, as required by state statutes, are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to March 1, the District's Board of Directors reviews a proposed operating budget and submits to the participating municipalities a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to June 30, the budget is legally adopted by the participating municipalities.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the District Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund and individual revenue and expenditure line item. The legal level of budgetary control is the individual line item.

NOTE 3 - DEPOSITS:

Michigan Compiled Laws, Section 129.91, authorizes the Board to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NEWAYGO FIRE DISTRICT COMMAND BOARD  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2006

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NOTE 3 - DEPOSITS (CONTINUED):

The Board's deposits are in accordance with statutory authority.

The risk disclosures for the Board's cash deposits as required by GASB Statement 3, are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$100,000	\$100,000
Uninsured and uncollateralized	<u>221,908</u>	<u>233,140</u>
Total deposits	<u>\$321,908</u>	<u>\$333,140</u>

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable to June 30, 2006, including the applicable allowance for uncollected accounts, are as follows:

Fire protection assessments	<u>\$11,730</u>
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NOTE 5 - CAPITAL ASSETS

Capital asset activity for the current fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 19,307	\$ -	\$ -	\$ 19,307
Subtotal	<u>19,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>19,307</u>
Capital assets being depreciated				
Building	297,974	-	-	297,974
Building improvements	64,930	-	-	64,930
Vehicles	478,215	-	-	478,215
Equipment	<u>80,630</u>	<u>-</u>	<u>-</u>	<u>80,630</u>
Subtotal	<u>921,749</u>	<u>-</u>	<u>-</u>	<u>921,749</u>

NEWAYGO FIRE DISTRICT COMMAND BOARD  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2006

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NOTE 5 - CAPITAL ASSETS (CONT)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for -				
Building	\$ 35,757	\$ 11,919	\$ -	\$ 47,676
Building improvements	30,302	4,329	-	34,631
Vehicles	258,082	21,937	-	280,019
Equipment	<u>22,581</u>	<u>6,283</u>	<u>-</u>	<u>28,864</u>
Subtotal	<u>346,722</u>	<u>44,468</u>	<u>-</u>	<u>391,190</u>
 Net capital assets being depreciated	 <u>\$575,027</u>	 <u>\$(44,468)</u>	 <u>\$ -</u>	 <u>\$530,559</u>
Governmental activities capital total				
Capital assets - net of depreciation	<u>\$594,334</u>	<u>\$(44,468)</u>	<u>\$ -</u>	<u>\$549,866</u>

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

NEWAYGO FIRE DISTRICT COMMAND BOARD  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
Fund balance - July 1, 2005	\$261,605	\$259,922	\$283,837	\$23,915
Resources:				
Fire protection assessments	165,490	165,490	165,557	67
Investment income	-	-	5,207	5,207
Other	<u>-</u>	<u>-</u>	<u>185</u>	<u>185</u>
Amount available for appropriation	<u>427,095</u>	<u>425,412</u>	<u>454,786</u>	<u>29,374</u>
Charges to appropriations:				
Public safety -				
Salaries and wages	44,550	44,550	41,066	3,484
Payroll taxes	4,500	4,500	3,142	1,358
Gasoline	3,000	3,000	2,789	211
Repairs and maintenance	6,500	9,633	12,085	(2,452)
Office supplies	500	500	545	( 45)
Insurance and bonds	15,140	15,140	10,057	5,083
Professional services	4,000	4,000	3,000	1,000
Occupancy expense	10,000	10,000	8,149	1,851
Travel and education	2,000	2,000	4,282	(2,282)
Other	4,700	4,700	1,766	2,934
Supplies	20,600	20,600	16,955	3,645
Capital outlay	<u>-</u>	<u>-</u>	<u>5,940</u>	<u>(5,940)</u>
Total charges to appropriations	<u>115,490</u>	<u>118,623</u>	<u>109,776</u>	<u>8,847</u>
Budgetary fund balance - June 30, 2006	<u>\$311,605</u>	<u>\$306,789</u>	<u>\$345,010</u>	<u>\$38,221</u>

NEWAYGO FIRE DISTRICT COMMAND BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2006

NOTE 1 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

The District's budget provided for expenditures to be controlled to the line item level. As detailed below, actual expenditures exceeded the District's approved budget allocations for certain line items.

Expenditures were in excess of amounts appropriated in the amended budget for the following line items:

<u>Line item</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
Repairs and maintenance	\$9,633	\$12,085	\$2,452
Travel and education	2,000	4,282	2,282
Capital outlay	-	5,940	5,940